

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Narcotics Enforcement Team (LAWNET)	County Washtenaw
Fiscal Year End December 31, 2006	Opinion Date March 1, 2007	Date Audit Report Submitted to State March 9, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

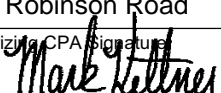
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517.787.6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name Mark T. Kettner, CPA, CGFM		License Number 11673

LAWNET

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

Ann Arbor, Michigan

FINANCIAL STATEMENTS

For The Year Ended December 31, 2006



REHMANN ROBSON

Certified Public Accountants

LAWNET

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

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REHMANN ROBSON

Certified Public Accountants

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Independent Auditors' Report

March 1, 2007

To the Board of Directors
Livingston and Washtenaw Narcotics
Enforcement Team (LAWNET)
Ann Arbor, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the **LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)** as of and for the year ended December 31, 2006, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of **LAWNET** as of December 31, 2006, and the respective changes in financial position thereof, and the budgetary comparison for the major fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Agency has not presented management's discussion and analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated TBD, on our consideration of **LAWNET**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of **LAWNET**. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of **LAWNET**. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

BASIC FINANCIAL STATEMENTS

**LIVINGSTON AND WASHTENAW
NARCOTICS ENFORCEMENT TEAM**
Statement of Net Assets and Governmental Fund Balance Sheet
December 31, 2006

	Special Revenue Fund	Adjustments	Governmental Activities
Assets			
Cash and cash equivalents	\$ 1,597,735	\$ -	\$ 1,597,735
Accounts receivable	13,483	-	13,483
Interest receivable	6,729	-	6,729
Due from other governments	157,659	-	157,659
Total assets	<u>\$ 1,775,606</u>	-	1,775,606
Liabilities			
Accounts payable	\$ 72,773	-	72,773
Accrued liabilities	2,566	-	2,566
Total liabilities	75,339	-	75,339
Fund balance			
Unreserved, undesignated	<u>1,700,267</u>	(1,700,267)	
Total liabilities and fund balance	<u>\$ 1,775,606</u>		
Net assets			
Unrestricted		<u>\$ 1,700,267</u>	<u>\$ 1,700,267</u>

The accompanying notes are an integral part of these financial statements.

**LIVINGSTON AND WASHTENAW
NARCOTICS ENFORCEMENT TEAM**
**Statement of Activities and Governmental Fund Revenue,
Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2006**

Revenue

Forfeitures	\$ 293,047
Intergovernmental:	
Washtenaw County	30,000
HIDTA Grant	89,502
Highway Interdiction Grant	68,832
Other intergovernmental revenue	50,917
Interest	82,208
Other income	7,643
	<hr/>
Total revenue	622,149
	<hr/>

Expenses / expenditures

Public safety:	
Forfeiture expense	28,130
Investigative expense	41,279
Communications	22,273
Personnel	168,605
Training	7,349
Rent	68,000
Equipment	5,156
Utilities	14,532
Office supplies	14,589
Contract services	89,122
Repairs and maintenance	19,444
Vehicle expense	5,250
Administrative	8,504
	<hr/>
Total expenses / expenditures	492,233
	<hr/>
Change in net assets / fund balance	129,916

Net assets / fund balance, beginning of year	<hr/> 1,570,351
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Net assets / fund balance, end of year	<u><u>\$ 1,700,267</u></u>
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The accompanying notes are an integral part of these financial statements.

**LIVINGSTON AND WASHTENAW
NARCOTICS ENFORCEMENT TEAM**

**Statement of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual - Special Revenue Fund
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget + (-)
Revenue				
Forfeitures	\$ 165,250	\$ 165,250	\$ 293,047	\$ 127,797
Intergovernmental:				
Washtenaw County	30,000	30,000	30,000	-
HIDTA Grant	107,000	107,000	89,502	(17,498)
Highway Interdiction Grant	38,000	38,000	68,832	30,832
Other intergovernmental revenue	20,328	20,328	50,917	30,589
Interest	82,208	82,208	82,208	-
Other income	5,200	5,200	7,643	2,443
Total revenue	447,986	447,986	622,149	174,163
Expenditures				
Public safety:				
Forfeiture expense	25,650	28,131	28,130	1
Investigative expense	58,000	55,519	41,279	14,240
Communications	29,094	28,206	22,273	5,933
Personnel	190,955	190,955	168,605	22,350
Training	15,980	15,980	7,349	8,631
Rent	71,908	71,401	68,000	3,401
Equipment	57,500	57,500	5,156	52,344
Utilities	20,220	20,220	14,532	5,688
Office supplies	16,636	16,636	14,589	2,047
Contract services	88,166	83,000	89,122	(6,122)
Repairs and maintenance	22,822	22,822	19,444	3,378
Vehicle and travel expense	6,500	13,061	5,250	7,811
Administrative	10,200	10,200	8,504	1,696
Total expenditures	613,631	613,631	492,233	121,398
Net change in fund balance	(165,645)	(165,645)	129,916	295,561
Fund balance, beginning of year	1,570,351	1,570,351	1,570,351	-
Fund balance, end of year	\$ 1,404,706	\$ 1,404,706	\$ 1,700,267	\$ 295,561

The accompanying notes are an integral part of these financial statements.

**LIVINGSTON AND WASHTENAW
NARCOTICS ENFORCEMENT TEAM
Statement of Fiduciary Assets and Liabilities
December 31, 2006**

	Agency Fund
	<hr/>
Assets	
Cash and cash equivalents	\$ 51,095
	<hr/> <hr/>
Liabilities	
Undistributed receipts	\$ 51,095
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Livingston and Washtenaw Narcotics Enforcement Team (LAWNET) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of LAWNET's accounting policies are described below:

A. Reporting Entity

LAWNET was formed in 1981 as a cooperative, multi-jurisdictional unit of narcotic investigators comprised of personnel from municipal, county, and state law enforcement agencies within Livingston and Washtenaw Counties. LAWNET is not a component unit of any government.

B. Government-wide and Fund Financial Statements

As permitted by GASB Statement No. 34, LAWNET uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund also uses the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, LAWNET considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

Notes To Financial Statements

Revenue from grant awards and contributions from local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

LAWNET reports the following major governmental fund:

Special Revenue Fund

Special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes. The special revenue fund used by LAWNET is used to record its general operations.

In addition, LAWNET reports the following fund type:

Fiduciary Fund

Fiduciary funds are used to account for assets held by LAWNET in a trustee capacity or as an agent for individuals, organizations or other governments.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. The non-adjudicated forfeiture fund is an agency fund used to account for cash seized from defendants upon arrest and bonds posted in accordance with the laws of the State of Michigan. This cash is held until the ultimate settlement of the case, at which time the cash is transferred to the special revenue fund, transferred to another governmental agency or returned to the defendant.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

D. Budgets

LAWNET's special revenue fund is under formal budgetary control. The budgets shown in the financial statements were adopted on a basis consistent with generally accepted accounting principles and consists only of those amounts contained in the formal budget approved by the LAWNET Board of Directors.

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. The approved budgets of LAWNET were adopted on an activity level basis, which is the legal level of control. The Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund Type presents the budget in more detail than the legal level of control. Accordingly, at the activity level basis, no expenditures were incurred in excess of the amounts appropriated.

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

Notes To Financial Statements

E. Cash and Cash Equivalents

Amounts reported as cash and cash equivalents include amounts on hand and amounts held by the Washtenaw County Treasurer in the County's pooled cash management accounts.

State statutes require all money, negotiable instruments, securities or any other thing of value to be deposited with the treasurer of the local unit.

F. Donated Services

Substantial services related to the utilization of personnel and personal property are contributed by cooperating law enforcement agencies. The value of these services has not been recognized in the financial statements since the amount is not subject to reasonable estimation. Any legal proceedings resulting from the actions of such personnel or the use of donated personal property are the responsibility of the donor agency.

G. Fund Equity

Reservations of fund balance, if any, represent amounts that are not appropriable or are legally segregated for a specific purpose. The unreserved fund balance in the special revenue fund represents amounts available for future appropriations.

2. CASH AND CASH EQUIVALENTS

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement Fiduciary Net Assets as of December 31, 2006, follows:

Statement of Net Assets:

Cash and cash equivalents	\$ 1,597,735
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Statement of Fiduciary Net Assets:

Agency Fund –	
Cash and cash equivalents	<u>51,095</u>

\$ 1,648,830

Cash on hand	\$ 82,095
Cash deposited with Washtenaw County Treasurer	<u>1,566,735</u>

\$ 1,648,830

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

Notes To Financial Statements

The funds held in the Treasurer's pooled accounts are deposited by, and in the name of, the Washtenaw County Treasurer. County funds are also deposited in those accounts and, as such, because of the complexities of FDIC regulation, it is not possible to readily determine the amount of insurance that would be allocated to LAWNET's deposits. Information regarding Washtenaw County's cash management pool may be obtained by writing to Washtenaw County, P.O. Box 8645, Ann Arbor, Michigan 48107-8645.

3. RELATED PARTY TRANSACTIONS

Civilian clerical personnel are employees of Washtenaw County. LAWNET reimburses the County for the payroll and fringe costs associated with these clerical positions. These costs amounted to \$168,605 for the year ended December 31, 2006.

4. RISK MANAGEMENT

During the normal course of its operations, LAWNET is exposed to various risks of loss related to liability, employee injury, and other circumstances. Personnel working for LAWNET are covered by the enforcement agency in which they are employed.

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**INDIVIDUAL FUND
FINANCIAL STATEMENT**

**LIVINGSTON AND WASHTENAW
NARCOTICS ENFORCEMENT TEAM
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended December 31, 2006**

	Beginning Balance	Additions	Deductions	Ending Balance
Assets				
Cash and cash equivalents	\$ 41,143	\$ 295,782	\$ 285,830	\$ 51,095
Liabilities				
Undistributed receipts	\$ 41,143	\$ 295,782	\$ 285,830	\$ 51,095



REHMANN ROBSON

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

March 1, 2007

To the Board of Directors
Livingston and Washtenaw Narcotics
Enforcement Team (LAWNET)
Ann Arbor, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the *Livingston and Washtenaw Narcotics Enforcement Team (LAWNET)* as of and for the year ended December 31, 2006, which collectively comprise the Agency's financial statements, as listed in the table of contents, and have issued our report thereon dated TBD. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LAWNET's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LAWNET's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LAWNET's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LAWNET's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



March 1, 2007

To the Board of Directors
Livingston and Washtenaw Narcotics
Enforcement Team (LAWNET)
Ann Arbor, Michigan

We have audited the financial statements of the **LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)**, for the year ended December 31, 2006, and have issued our report thereon dated TBD. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated January 23, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of LAWNET. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of LAWNET's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by LAWNET are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by LAWNET during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. LAWNET has used no significant estimates in the financial statements for the year ended December 31, 2006.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on LAWNET's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by LAWNET, either individually or in the aggregate, indicate matters that could have a significant effect on LAWNET's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as LAWNET's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the LAWNET Board, management, and federal awarding agencies and pass-through entities and are not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style with a large initial 'L'.